

Moncler SpA

"First Half 2018 Financial Results Presentation"

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MODERATORS: REMO RUFFINI, CHAIRMAN AND CHIEF EXECUTIVE OFFICER
ROBERTO EGGS, CHIEF MARKETING & OPERATING OFFICER
LUCIANO SANTEL, CHIEF CORPORATE & SUPPLY OFFICER
PAOLA DURANTE, INVESTOR RELATIONS AND STRATEGIC PLANNING DIRECTOR

OPERATOR:

Good afternoon, this is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Half 2018 Financial Results Conference call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Paola Durante, IR and Strategic Planning Director of Moncler. Please go ahead, madam.

PAOLA DURANTE:

Thank you. Good afternoon everybody, and thank you for joining our call today on Moncler's First Half 2018 Financial Results. First of all, as usual, let me introduce you to the Executive team on today's call, our Chairman and CEO Mr. Remo Ruffini, Luciano Santel - our Chief Corporate and Supply Officer, Roberto Eggs - our Chief Marketing and Operating Officer, Andrea Tieghi - Head of Retail and Sergio Buongiovanni - Executive Board Member.

Before starting the presentation, I need to remind you that this presentation may contain certain statements that are neither reported financial results nor other historical information. Any forward-looking statements are based on Moncler's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause results to differ materially from those expressed in or implied by these statements, many of which are beyond the ability of Moncler to control or estimate.

Let me also highlight that given the nature of our business, Interim Results can be influenced by seasonal effects, and therefore cannot be taken as a proxy for full-year trends or results. I finally remind you that Press has been invited to participate in this conference in a listen-only mode.

Let me now handover to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI:

Good evening everyone and welcome to Moncler's First Half 2018 Results conference call. Let me start this conference call with three short comments on a set of results that I consider exceptional. I will try to be as brief as

possible to leave more space to your questions, which are always very interesting for us.

First let me say that I am very happy with the success of Moncler's Fragment Hiroshi Fujiwara launch. It was our first Moncler Genius drop and actually the most important one. The supply chain did a fantastic job. Our marketing division supported extraordinarily, along with our CRM, retail and wholesale teams who did something I believe unique. I am very proud of the energy that this project has generated both inside and outside of the Company.

Second, I cannot avoid commenting our outstanding results. In the first semester, our consolidated revenues increased by 27% at constant currencies with both channels up double-digit, while our comparable store sales rose by an extraordinary 27%. All markets, including our domestic market, posted results above expectations. I am particularly impressed by the results that we continue to achieve both in China and Japan, markets that are recording a very strong double-digit growth.

Three, I am very satisfied that our outstanding growth comes from a healthy business and has been supported by high sell-through, tight costs' control and good working capital management, generating sound results also in terms of profitability.

The second part of the year is not going to be easy. We are all aware of it. We continue to face an increasing challenging base of comparison and a tough comp, but we must remain confident, also considering the important projects planned for the upcoming months. We still have many Moncler Genius launch to complete, starting from Moncler Noir Kei Ninomiya which has been launched today. We will shortly open our flagship store in Soho, New York which will be the largest DOS of the network and we will finalize the relocation of other important stores like London Sloane Street and Copenhagen. More than 15 DOS are secured for 2018, including the nine opened as of today.

Last but not least, in October we will launch the whole Moncler Genius building project with important pop-ups around the world. I would like to

conclude by underlining that we are working on several important projects, with the aim to deliver what our new corporate campaign “Moncler Beyond” is communicating: to go beyond limits, expectations and generations. I can guarantee that we are all fully committed to it.

Now thank you very much and let me handover to Roberto and Luciano for more details and comments.

ROBERTO EGGS:

Okay. Good afternoon, I'm Roberto Eggs. I am very pleased to comment the results of the first semester with some highlights on Q2 results. Let's start by the revenues breakdown by region. Moncler continued to deliver robust double-digit growth in Q2 2018 with a +26% when cumulating the results of retail and wholesale, driven by the successful launch of the first Genius collection, 7 Moncler Fragment Hiroshi Fujiwara. In the first semester of 2018 the Group revenues rose by 27% reaching €493.5 million. Revenues grew in all regions, in Italy they rose by 9% in H1 largely driven by the retail channel, Q2 was at +5%. In Italy, we continue to clean the wholesale distribution network by really going selecting our distribution. Concerning EMEA, the growth remained solid with a +17% in H1 and the results of Q2 were more or less in line with +15%. The growth was driven mainly by France, UK and Germany. Asia showed the most outstanding results of all regions with a +42% in H1 and with +47% in slight acceleration during the second quarter. This growth has been strong in all markets: in Japan, Korea, Hong Kong, China and the rest of APAC. Finally, the result of Americas with a +29% on H1, with the result of Q2 more or less in line with the first semester at +22% for the second quarter. This had been driven by double-digit growth in both distribution channels, wholesale and retail.

Regarding the revenues breakdown by distribution channel, we have been growing in retail by +33% during the first semester. The result of the second quarter were at +29%. This growth had been driven also by an excellent result in the e-commerce which had been growing, in line with last year, at twice the pace of the retail channel. Wholesale revenues rose by 12%, slightly above our targets of high single-digit growth. This had been driven, in all regions, mainly by the effect of the anticipation of the Fragment collection compared to the launch of Gamme Bleu in 2017. This had an impact between 2% to 3% on the

additional growth. So without the effect of Fragment the growth would have been in line with the growth that we were forecasting around 8% to 9%. The growth had also been driven by very good results of our wholesale mono-brand shop-in-shops and also by the opening of stores in airports. The mix now between retail and wholesale is 24% in wholesale, 76% in retail. We can expect a 22%-24% in wholesale and about 76%-78% on the retail side at the year end.

Regarding the stores opening, we reached now a network of 209 mono-brand stores with 4 new openings in Q2. We expect, as Remo Ruffini said, a total number of 15 DOS opened by the end of this year but also about 15 important relocations and expansions, with the most important ones being New York Soho, London Sloane Street and Copenhagen. The wholesale mono-brand network reached 65 Shop-in-Shops in total as of 30 June, including shop-in-shops in North America with 4 of them in Canada - Toronto, Vancouver and Calgary - but also the opening in Venice Fondaco dei Tedeschi of the women shop-in-shop after the opening 18 months ago of the men shop-in-shop, and the opening of Munich airport.

And I now hand over to Luciano Santel. Thank you.

LUCIANO SANTEL:

Thank you, Roberto and good afternoon everybody. Let's get started with our financial results at page 10 where we have the income statement. The top line reached €493.5 million, already presented in detail by Roberto, up 21% at current FX and 27% at constant FX with a gross margin of 76% against the 75.6% of last year, which increased totally due to the channel mix because the retail business is growing faster than the wholesale business. The gross margin by each distribution channel was totally in line with last year.

Selling expenses were 36.2% of revenues, against the 37.8% of last year and registered a very good percentage clearly due to the extraordinary organic growth of the retail business and the lower impact of the retail fixed costs.

G&A expenses were 12.5% of revenues with the same percentage as last year but with additional costs for almost €11 million, totally invested in the organization to make it stronger in order to support the growing complexity of the business.

A&P expenses were 7.3% of revenues with the same percentage as last year, but with expectations at the year end to spend slightly more than last year, when we spent 6.7%. For this year we plan to spend about 7%.

Stock-based compensation accounted for the same percentage as last year with year-end expectations to spend slightly more, 2.2% probably, as compared to the 2% spent last year.

Financial results were much better than last year, thanks to a much lower FX losses.

Tax rate was 27.3%, much lower than the 30.5% reported last year totally thanks to the tax benefit coming from the Patent Box Agreement we signed in December 2017.

Net income was €61.6 million up 47% compared to last year, and EBITDA was €123.9 million representing a margin of 25.1% compared to 23.8% reported last year.

Let's move now to page 11 where we report net CAPEX which was €34.5 million in the first half of this year, equal to last year but with a totally different composition. Last year the vast majority of this number was allocated to the retail channel because of two important projects implemented last year, Milan Montenapoleone and Hong Kong Canton Road. This year the CAPEX in the retail channel amounted for €18.5 million, back to normal. Quite unusual and different from last year is the amount of €14.1 million reported in the corporate line, which includes some important projects: this year we spent much more in information technology than last year and also we started an important project in our logistics hub in Piacenza that is planned to be worth about €15 million in three years - this year, 2019 and 2020. We started this project in the first half of this year and we reported capital expenditures for about €4 million in the first half of the year. We also included the acquisition of our industrial building in Bacau in Romania where we operate our production facility.

Let's move now to page 12, where we have the net working capital which was 5% of LTM revenues, slightly better than the 6% reported last year driven by very good credit control and inventory management.

Let's move now to page 13, which shows the net financial position at the end of June for €244 million, about €114 million better than the first half of 2017 and €61 million less than the end of December 2017, because in this first half of the year we distributed dividends for €70.5 million and we implemented a buyback programme for €73.4 million.

We can fly over page 14 which reports the balance sheet. Let's move to the cash flow statement, where you can see how we generated cash and how we absorbed the cash. Free cash flow was €66 million, almost 70% higher than last year. The majority of this free cash flow has been generated by operating income but also by a very good net working capital. Something important to underline is the change in other current assets which were better than last year and are mostly due to the tax cash benefit coming from the Patent Box Agreement signed last year in December with tax authority.

Following the free cash flow, dividends for €70.5 million were paid, much more than last year. The change in equity this year is negative because of the buyback programme compared to last year, when it was strongly positive because of the equity injection coming from the exercise of the stock option plans.

So I am done for the presentation. And we are all ready now for your questions. Thank you.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session.

The first question is from Anne-Laure Bismuth of HSBC. Please go ahead.

ANNE-LAURE BISMUTH: Good evening. It's Anne-Laure Bismuth from HSBC. I have three questions please. The performance of the retail like-for-like is 27% in H1, implying a 6% of contribution from new space. I remember that the contribution from new space for the full year expected is high single-digit so should we still expect an acceleration in H2 in terms of contribution from new space? And also, is it possible to have the difference of the evolution of the retail like-for-like between Q1 and Q2 because we have in mind that the Q1 like-for-like was around 23%, but it would not play a negative contribution from a new space in Q2 so is it possible to have a broad idea of the evolution between Q2 and Q1.

My other question is about the current trading and the performance in July. Is it continuing on the same trend? And finally on the Genius project and the Noir collection launch in July, is it possible to have more details about the roll out and etcetera? Thank you very much.

LUCIANO SANTEL: Hi, Anne-Laure. About your first question regarding the new space, the contribution of 6% you come out with, is not correct. This is a technicality, but the new space contribution accounts for 10.7% of the total retail sales growth.

The contribution of comp stores, which technically is 27%, accounts for the other 22% because it is calculated on a base of comparison that does not include all the stores that last year were expanded, like Milano Montenapoleone, Hong Kong Canton Road and Galeries Lafayette women, just mention the most important ones. These stores are not comp in the first half of this year, but they have significantly contributed to the new space contribution, which again was 11%, in line with our indications and based on our current visibility, in line with what we still expect for the year end.

ROBERTO EGGS:

Good afternoon Anne-Laure. Regarding the Genius Noir launch, it is a little bit too early to give any figures as we started to sell it this morning at 10:00 a.m. I can give you some highlights on the Fragment launch, just to make the difference between the two. Fragment was a full network launch, so it was sold in roughly 175-180 stores with the exception of the stores in the mountain, while we are working to a much more selective network of roughly 70 DOS for the launch of Noir.

We have been very happy of the impact on the results generated by the Fragment launch. We have seen an increase in the footfall in our stores, close to 10% prior to the launch, and after the launch there was an increase of about 20%. So we have seen very positive results coming from the countdown organized with the windows and the pushing we had on social medias. So far, what we have learned from Fragment is that the first week, when you have such an exclusive product, is essential, since more than 50% of the volumes are done during that first week. We have of course to monitor all the new launches to see, depending on the patterns of the sales, if all of them are the same, but clearly the more commercial one, the most street-wear had the huge impact on the first days.

These launches have also a positive impact on the non-outerwear categories, as the weight of Fragment was composed for two third by outerwear and one third by non-outerwear, above the average that we usually have for non-outerwear, which is around 20%, 22%.

The other surprise that came was related to the fact of being genderless. We have noticed that 30% of the Fragment sales, which is a men collection, had been bought by women, mainly knitwear and tricot, which was a positive surprise.

The other target was to acquire clients and new consumers, and also that was successful. About 45% of buyers were new clients who were not Moncler clients before, leaving the actual number of existing clients at 55%, which is quite high, because we, with our CRM team, have been doing a very good work in terms of clienteling and in-store actions that drove traffic but also

sales to existing consumer who we have identified as being people interested in the Fragment launch prior to the launch.

The impact of the Fragment launch has been of roughly 10% on sales during the period. So this has been also a positive result. Regarding the current clients and the current trading for the first two weeks of July, they are more or less in line with the result of the second quarter, with a slight slowdown in the tourism in Europe, that we have noticed not only for us but also through the data provided by Global Blue reports. At the same time we have seen a slight increase, since a couple of months, in the tourist of Chinese in the other neighboring countries namely Singapore, Hong Kong, Japan, and Korea.

LUCIANO SANTEL: Hi, Anne-Laure, this is Luciano again. Your last question asked was about like-for-like in Q1 and Q2. We don't report a like-for-like comp in the quarter, but what I can tell you is that like-for-like in the first quarter was very strong without many differences between the Q1 and Q2.

ANNE-L. BISMUTH: Okay. Thank you.

OPERATOR: The next question is from Fred Speirs of UBS. Please go ahead.

FRED SPEIRS: Hi, good evening, everyone. Thank you for taking my questions. I have three questions please. With the first I wish to try to understand a bit about how the gross margins are trending by category.

Second was around your Selling&Distribution cost leverage in H1 which was up very nicely, clearly some of that coming from the organic performance and from a more efficient management of the retail network. So I just wondered if you could give us some specific examples there?

And my last question was around the operating margin outlook for the full year; consensus is looking for around 20 basis points in EBIT margin expansion for me this year. I would be very interested to hear, if you could explain what would need to happen in H2 for you to deliver EBIT margin expansion, higher than that for the full year? Thank you.

LUCIANO SANTEL:

Hi Fred, the gross margin in the outerwear category is still higher and much higher than the other categories. But in the other categories, the ones in which we have invested more over the past few years, and especially in knitwear, it has a gross margin that is getting better and better even though is still slightly below outerwear, but much higher than what it was only 2-3 years ago, because we have invested in the prototypes production in-house and we have gained credibility on the market, so right now gross margin is slightly less, but not significantly less. In other minor categories, minor because we are not yet credible as much as in outerwear, gross margin is still lower, but there is no reason why in the future - by investing in these categories, in know-how, in technicality and in technical people - gross margin cannot get better and better. I think that it will never be equal to outerwear, but it will get closer to outerwear. Of course, these categories are very important strategically (not only strategically) because they are helping us to increase one of the most important metrics for retail which is the Units per Transactions (UPT) and ultimately to improve and to make stronger operating margins.

LUCIANO SANTEL:

Selling expenses were very good, with an unusual decrease in the percentage on revenues as compared with last year. Normally, as our retail business grows, our selling expenses grow as well, because we open more stores and we report additional expenses. But since in the first half of the year the majority of our retail growth had been driven by organic growth, we have experienced lower impact of our retail fixed costs like rent, like payroll - which is not fixed at 100% - so we benefited from the organic growth, this is the reason why you see a very strong percentage, better than last year.

Of course, this is not and should not be considered as an indication for the year end because is mostly driven by such an extraordinary organic growth that is not something that we can even think about in the second half of the year.

Looking at consensus, the operating margin seems consistent with the top line, which is very challenging, and difficult to predict. From the financial and mathematical point of view, it makes sense but everything is still to be developed. The second half of the year will be very challenging also because of the comp and the tough base of comparison in Q3 and extremely tough in

Q4 because last year we did extremely well. Again, difficult to say, but from a pure financial and technical point of view, operating margins expressed by consensus make sense but again the top line and everything is still to be done.

FRED SPEIRS: Understood, thank you.

OPERATOR: The next question is from Piral Dadhanian of RBC. Please go ahead.

PIRAL DADHANIAN: Hi, thanks. This is Piral here from RBC. I just have one question and it relates to your planning for Genius. Obviously a very successful initial launch but as we look towards future Genius collection launches, should we expect you to commit to higher volumes and what kind of growth should we expect in that? Obviously, it feels like this first collection has exceeded your expectations. Is your own internal planning now looking for more contribution from Genius as we look forward and if you could put any numbers around that it would be very helpful.

ROBERTO EGGS: Good afternoon. Thank you for the question. I think we received a lot of this type of questions when we disclosed the Genius project and I will just repeat what we said in the past. We remain consistent with the Genius approach, which has been born as our first digitally-native project, a project that is more of a communication project around the Brand, around the values of the Brand and around different typology of what is making Moncler what it is today, still very much around the outerwear, but talking to different type of audiences and different types of clientele. We knew that by starting with Fragment, we would have started with one of the most successful designers, commercially speaking. We have some others that are more normal couture project so we are not planning to have big volumes. It's a mix of both, but most of all it's a real communication project to drive traffic in the stores. Then, if people buy Genius products in the stores, it means that we have been doing the right work in terms of communication, clienteling and selling actions. Also they can come to the store and take the opportunity to see the new collection, which is what we have seen happening during the launch of the first Fragment drop.

PIRAL DADHANIAN: Okay, great, thanks. But maybe just a follow up then in terms of corporate campaigns, as Mr. Ruffini commented in his initial remarks around Moncler Beyond being a new corporate campaign. Could you perhaps give us a bit

more colour around, you know what the ambitions are there, is that an internal initiative or is there anything further you might be able to add in relation to that? Thank you.

ROBERTO EGGS: With this corporate campaign what we want is to communicate around the different values of the Brand, we think there is the potential to have even more involvement of our people recognizing themselves because it's a campaign that is going beyond generations, beyond origins, beyond passions and what is making people move. We have had fantastic feedbacks on it and it is something that is completely complementing the Genius approach: we have something that is more around the product, together with something that is more around the values and the clients. Thus, this is something that is great to be communicated with simple messages, through all the channels where we are now focusing our investments, which are social media channels and the outdoor advertising.

We have been growing much faster than what we had foreseen also in terms of split of communication budgets. We were thinking to come to the split of one-third social media, one-third outdoor, one-third traditional media in a couple of years and basically what we have seen is that things are growing so fast, that this is going to happen already this year, so the shift towards a more digital communication and digitalization is something that is happening already now for Moncler and this campaign as well as the Genius one are completely sustaining this approach.

PIRAL DADHANIA: Thank you Roberto.

OPERATOR: The next question is from Edouard Aubin of Morgan Stanley. Please go ahead.

EDOARD AUBIN: Good evening. Just three questions: I believe that you have in-sourced your online operations in Korea recently as it was not part of the agreement with YNAP. So I was just wondering how the in-sourcing is going and how quickly you could move to full in-sourcing of your operations worldwide. That's number one, number two: in the release you talk about the growth rate of online being higher than the retail growth rates so should we assume that online could be close to 15% of your sales in 2018 or is that too high? And then lastly, in terms of impact also on your profitability is the e-commerce

gross margin neutral until now but could it enhance relatively soon for Moncler?

ROBERTO EGGS:

Yes, Edouard, it's Roberto. I will try to answer to your first question and on the profitability part I will share the answer with Luciano. During the Capital Markets Day we disclosed that our plan was to launch our Korean e-commerce with full omnichannel capabilities by H1 2019 so we have started the project. It's a project where we have also chosen which type of platform we are going to use and is going to be based on Salesforce. We have also Accenture that is helping us in the integration and in the launch of this very important project. Everything is running as planned, the launch is going to be taking place probably at the end of Q2 next year with the launch of the FW 19 season.

I would like to add that, in addition to this important project, there is another very important project for this year which is the launch of the pop-up store with Genius in China with T-Mall, in the Luxury Pavilion, and if successful, the idea is then to open at the same time of the e-commerce in Korea, to launch flagship store in China T-Mall at the beginning of Q3 2019.

The growth rate of the e-commerce had been growing at a faster pace already in 2017. What we commented, also in February, was the fact that we grew at twice the pace of the growth of the retail channel. But, as you can see the retail channel is growing faster, so we cannot double the weight by doubling the speed of growth. It is going to take probably a couple of years to reach 15%. I think this year, moving from the 7% of last year, the channel will be growing around 8.5% to 9% by the end of this year, if the trend continues.

Regarding the profitability, this channel is neither a margin diluter, nor a margin enhancer, but in order to see a positive effect of having the full internalization, we need to work on the objective. For the time being, we have now full control of this one client vision throughout all the touch points and it is something that we started to do by integrating the database of YNAP at the end of last year. Regarding the decision to go alone or not, as we said a few months ago, what we want is to be in the position, probably in the second half

of next year, after the launch of the e-commerce in Korea, to assess if we are better-off going alone and this could be a transition phase at the end of the 2020 or to continue maybe with a different business other than YNAP. The decision has not been taken yet.

EDOUARD AUBIN: Okay great. Thank you.

OPERATOR: The next question is from Omar Saad of Evercore ISI. Please go ahead.

OMAR SAAD: Thank you, great results, I wanted to ask a follow up on Moncler Genius. I am wondering, given the differentiated way to bring products to the market through those collaborations, if you are seeing your existing customers through your CRM really responding to those offerings or if it is bringing new customers into the Brand and if you are bringing new customers in the Brand, what type of customers are there, are they very different than your existing customer base? Thanks.

ROBERTO EGGS: Hi Omar. I just restate maybe briefly what I commented at the beginning. So far we have just been launching the first drop of Fragment and we are launching today the second one of Noir. So we are still completely in the learning phase, and we will leverage on everything we will learn from all future launches. Each launch will be different and we will be learning from each one of them in order to do even better. Thus far, I can comment only the first launch, the launch of Fragment. As I mentioned 45% of customers were new ones and 55% were existing ones. I see both figures have been positive, since we are bringing new customers and younger generation. Moreover, the fact that through our CRM for all the activities over the past two year and a half, we have been able to gather a database with more than 1.5 million clients and having clientele actions every single day by more than 1,000 client advisors and this helped in identifying potential people, existing consumers and clients interested into the Fragment offer. We organized, throughout the world, initiatives with in-store events the evening prior to the launch where we have been starting to pre-sell Fragment, this was very good and explained the positive results of the first week because we have been leveraging on one of those things and one of the pillars of Moncler. For the launch of Noir, as it's a collection with a higher price and different philosophy, the approach is going

to be much more on the one-to-one basis. We have already meetings scheduled in our different stores where we are doing our offer with the clients that we think are the right one for Noir. So probably the start of the sales is going to be slower for Noir and it is going to be more on clienteling action.

OMAR SAAD: That's very helpful. It should be very interesting to watch these developments. Thank you.

OPERATOR: The next question is from Flavio Cereda of Jefferies. Please go ahead.

FLAVIO CEREDA: Good afternoon. Great result of course. A quick question ideally for Mr. Ruffini if he is still around. So it's no doubt, in spite of your best attempt, by significantly increasing payout and the share buyback, you can't really seem to avoid to start accumulating cash quite at an alarming rate. So, I was wondering whether you looked at two to three years down the road, since you will be sitting on a very substantial cash position. Any ideas what you are likely to be doing with this cash? Thank you.

REMO RUFFINI: So, to build up a very healthy company with a very good cash has always been one of my biggest dream. What we have is a very strong Brand with a strong reputation in the market and a solid financial situation. Having said that, last year we had buybacks of our shares and I think this could be the ongoing strategy. Anyways, it is a safe strategy again to have a very strong company. But let's see if there are opportunities. For sure we have to invest a lot of money in the industrial products to improve our supply chain that I really feel is the key for building a stronger brand in the future. It is not only for building up quality, but we are growing and I want to really have the same quality in every piece in production, meaning that I don't feel it could be a problem for the next couple of years. And if, hopefully, we will make more cash, we will think about something different, we can improve for example the payout or if there would be some opportunities in the market, we never close the doors at any opportunities but I think that Moncler needs a lot of effort, a lot of work and a lot of energy because we have more space to build up a very strong product for the luxury industries.

FLAVIO CEREDA: Yes, you are right. I remember a conversation that we were having years ago on this and it was quite a different position. So it must be mentally rewarding to be in a position that you are in today. So, congratulations again, thank you.

REMO RUFFINI: Thank you.

OPERATOR: The next question is from Paola Carboni of Equita. Please go ahead.

PAOLA CARBONI: Hi, I have few questions; the first one is on your working capital improvement: can you elaborate on how much did impact the different timing in wholesale deliveries for Fragment and is this improvement sustainable on a full year basis? Second, can you comment about the sell-through you enjoyed for the first Genius drop, was this consistent with your expectation? Then if you can comment a bit more on the project you mentioned for your logistic center in Piacenza. Lastly, on your outlook for the second half, since you flagged some prudence generically mentioning most challenging comps. Actually, I have in mind several and you also mentioned several initiatives which should underpin your top line for the second half. So basically July was also consistent with the second quarter trend. So I was wondering, whether if there is any different element to consider when you suggest prudence for the second half? Thank you very much.

LUCIANO SANTEL: Okay. Hi, Paola. This is Luciano. About Net Working Capital, I do not have much more to add, it is very healthy as it was in the past. There is a slight improvement but not particularly significant. Of course, the percentage is a little bit lower, also helped by the top line that has been particularly strong. We are very happy with the credit control, the inventory management. So receivable and inventory are the two most important components of working capital. Talking about inventory, over the past couple of years, the sell-through has been getting better and better with percentage close to 70% which is a very high number and this is the main reason why I don't think there is not any other extraordinary or timing element that can explain our working capital, which is very good and very healthy. Hope to be able to maintain such a healthy situation in the future.

ROBERTO EGGS: Hi, Paola, it's Roberto. The results of the Fragment launch are completely in line with the expectations we had. I think also that the level of sell-through is exactly what we were expecting. We are really looking forward to the second drop of Fragment to be launched in December. The design is a little more winter. So we are quite confident with it. With regards to the outlook, which was part of the comments done by Remo at the beginning of the conference call, we have had an exceptional year in terms also of weather conditions, if you remember well winter started early September last year and it was cold in all regions until end of March, beginning of April. In April we were still selling the FW collection, which also explains why the level of inventory was low. And we went through an exceptional level of sell-through for FW collection.

So if I can assure that if we would have the same weather condition, we would be able to do probably a better forecast but we need to be prudent because climate conditions are probably difficult to articulate, so we remain prudent on that.

LUCIANO SANTEL: About our logistics hub in Piacenza, this is a project that is expected to last for at least three years: this year, 2019 and 2020 with a total budget of about €15 million. This project is about the extension of the logistics hub because we are growing, the top line is growing and we need more space, we need more capacity to support the business growth, that is even higher than what we may have planned a couple of years ago or only last year. A second building has already been developed. Now we are investing in automation for picking up the products and for moving the product inside the facility. Everything is about having a bigger capacity and also to become faster and faster in the reaction to the market demand.

Also, with regards to the development of our online business, as Roberto said, it is planned to start in Korea first and in the future we will see. But we totally understand and we are totally aware that we have to react now to be ready in two years from now. So this is the main reason why we are investing in this project, which is very important.

PAOLA CARBONI: Okay. Thank you very much. Just a latter point, if I may. Can you give us a flavor of how much was the FOREX impact at gross margin level if possible?

LUCIANO SANTEL: The FOREX impact on gross margin was not material. Of course it is material because the impact on the top line was 21% against 27% last year and so the impact on gross margin is there, but what is important to highlight is that the gross margin of each individual channel is totally in line with the last year, which is the result of a pretty good pricing policy and a pretty good hedging policy. When we develop the pricing policy, we look very carefully at protecting the gross margin. This is not the only objective we have but it's one of the most important ones and when we define our pricing policy we hedge the most important currencies. So everything did pretty well over the past season and the gross margin again is totally in line with last year. Of course, under the FX of last year, it would have been even better. But of course we have to look at what it is now.

PAOLA CARBONI: Okay. Thank you very much.

OPERATOR: Once again, if you wish to ask a question, please press "*" and "1" on your telephone. Gentlemen, there are no more questions registered at this time.

PAOLA DURANTE: Thank you. Thank you, operator. Thank you very much to everyone for participating. As usual, I will just give you a quick reminder for next release, which is Q3 2018 Interim Management Statement, that will be released on October 24th and the conference call will take place the same day after market close. Quiet period will start on September 25th. If there is any follow-up, I want you to call us today, tomorrow, myself and Anna Rita will remain at your disposal. In the meantime, we wish you a very nice summer break for those of you that have not already had one. Thank you and I'll speak to you soon.